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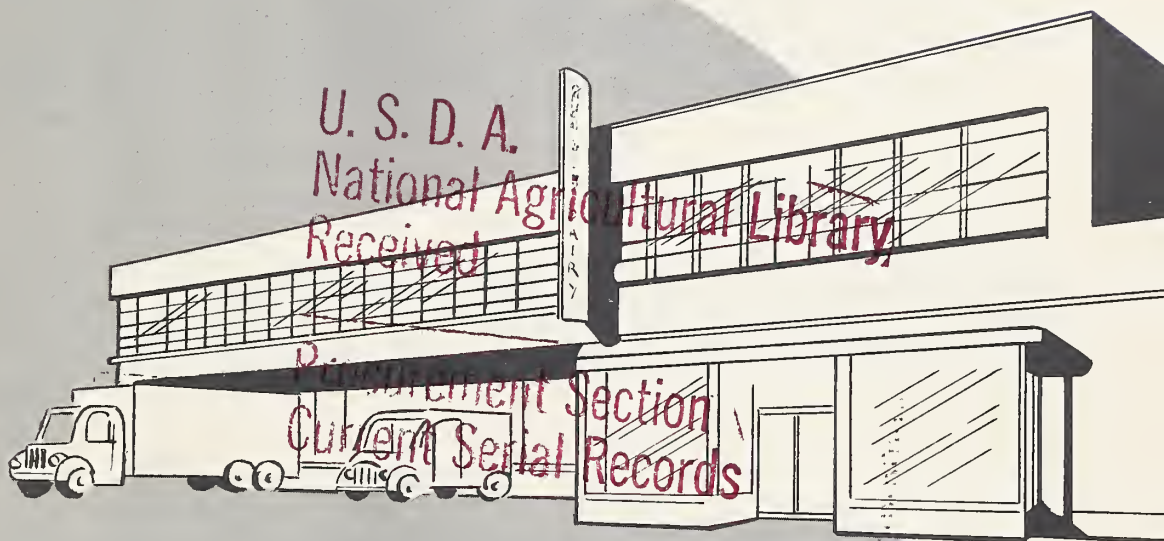


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# Milk Distributors'



## Sales and Costs

Jan.-Mar. 1964

U.S. DEPARTMENT OF AGRICULTURE  
Economic Research Service

MDSC No. 24



# MILK DISTRIBUTORS' SALES AND COSTS

Jan.-Mar. 1964

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This report is one of a series based upon information from 70 fluid milk and cream distributors. These are chiefly single-plant firms and are privately owned. Very small firms, very large firms, national chains, and producer-distributors are not included. The firms in the sample are considered to be typical of this type of distributor. The distributors subscribe to a cost-comparison service which furnishes the data for USDA analysis. A uniform accounting system is used and information is supplied on standardized forms.

## SALES

Net sales receipts per 100 pounds of milk and cream processed by fluid milk distributors declined in January-March 1964, as it had in the preceding quarter (table 1). The newly established level of \$10.70 per 100 pounds of milk was almost 70 cents below the peak of \$11.39 in October-December 1961. It was 23 cents below the 1963 average.

## COSTS

Costs of raw milk and cream in the first quarter of 1964 were 19 cents below the last quarter of 1963, but only 6 cents below the third quarter of 1963. These differences are largely the result of seasonal variations in prices paid for raw milk.

Total operating costs for the first quarter of 1964 were the lowest since 1955, when the annual average was \$4.50 per 100 pounds. Total operating costs rose from 1955 until the middle of 1961 and have declined fairly steadily since then. Most categories of operating costs except salaries, wages, and commissions, and taxes, and insurance declined between October-December 1963 and January-March 1964.

## NET MARGINS

Net margins declined from 23 cents per 100 pounds of milk and cream processed in the third quarter of 1963 to 15 cents in the fourth quarter. In the first quarter of 1964, they rose 4 cents per 100 pounds of milk and cream processed, or 21 percent. The increase reflects the more rapid decline in costs than in prices received.

## SALES PATTERNS FOR HOMOGENIZED MILK, 1954-64

Retail (home delivered) sales accounted for 37.2 percent of all sales of homogenized milk in the first quarter of 1954 (table 2). This share remained fairly steady through 1960, when it was 37.9 percent. It dropped 7 percentage points between 1960 and 1962 and another 2 percentage points by 1964, when retail sales accounted for 28.7 percent of the total.

Table 1.--Costs and margins for selected dairy firms, per 100 pounds of milk and cream processed, for years 1952-64 and for 5 recent quarters

Account	Yearly average												1963					1964				
	1952	1953	1954	1955	1956	1957	1958	1959	1960	1961	1962 1/4	1963 1/4	Jan. 1/2	Apr. 1/2	July 1/2	Oct. 1/2	Jan. 1/2	1964	1964	1964	1964	1964
Net sales receipts 1/	11.32	11.12	10.69	10.95	11.22	11.15	11.05	11.16	11.25	11.37	11.17	10.93	11.17	11.03	11.06	10.88	10.70					
Cost of materials for processing and resale:																						
Raw milk and cream	5.85	5.43	5.07	5.12	5.39	5.23	5.13	5.10	5.11	5.02	4.98	5.01	5.09	4.68	4.95	5.08	4.89					
Other	.82	.86	.83	.89	.76	.77	.70	.80	.87	.95	.97	.96	.87	1.04	1.02	.93	.99					
Total	6.67	6.29	5.90	6.01	6.15	6.00	5.83	5.90	5.98	5.97	5.95	5.97	5.96	5.72	5.97	6.01	5.88					
Gross margins	4.65	4.83	4.79	4.94	5.07	5.15	5.22	5.26	5.27	5.40	5.22	4.96	5.21	5.31	5.09	4.87	4.82					
Operating costs:																						
Salaries, wages, and commissions 2/	2.15	2.19	2.21	2.28	2.43	2.50	2.56	2.61	2.62	2.67	2.55	2.43	2.54	2.55	2.49	2.36	2.40					
Containers	.60	.62	.65	.70	.72	.71	.70	.69	.66	.67	.67	.67	.72	.73	.73	.73	.70					
Operating supplies	.30	.32	.35	.32	.28	.29	.29	.29	.30	.30	.30	.30	.30	.29	.29	.29	.28					
Repairs, rent, and depreciation	.50	.52	.57	.60	.64	.67	.68	.67	.66	.68	2.39	2.33	.69	.73	.70	.68	.65					
Taxes	.06	.06	.06	.06	.05	.06	.06	.06	.06	.06	.06	.06	.07	.07	.06	.07	.07					
Insurance	.02	.02	.03	.04	.04	.04	.04	.04	.05	.05	.05	.05	.05	.05	.06	.05	.05					
Services	.16	.19	.19	.18	.17	.17	.17	.17	.18	.19	.19	.19	.18	.19	.20	.18	.17					
Advertising	.15	.15	.16	.18	.19	.18	.18	.18	.18	.19	.19	.19	.17	.19	.20	.19	.19					
General	.15	.13	.13	.14	.16	.15	.16	.16	.15	.16	.16	.15	.15	.14	.15	.17	.14					
Total	4.09	4.20	4.35	4.50	4.68	4.77	4.84	4.87	4.86	4.97	4.94	4.76	4.87	4.94	4.86	4.72	4.63					
Net margins 3/	.56	.63	.44	.44	.39	.38	.38	.39	.41	.43	.28	.20	.34	.37	.23	.15	.19					
Firms reporting	43	51	75	83	80	80	80	80	80	80	80	70	80	80	70	70	70					

1/ Gross sales receipts less discounts, allowances, and returns.

2/ Includes State unemployment, Federal old age, workmen's compensation, and employee benefits.

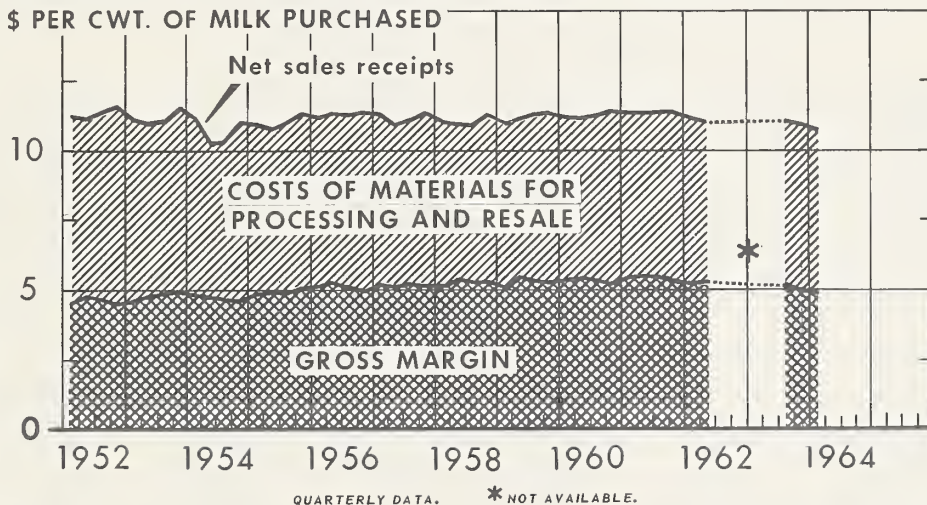
3/ Net returns to owners before income taxes.

4/ Estimated on the basis of available quarterly data, seasonally adjusted.



Fluid Milk Processing-Distributing Firms

# NET SALES, COST OF MATERIALS, AND GROSS MARGIN



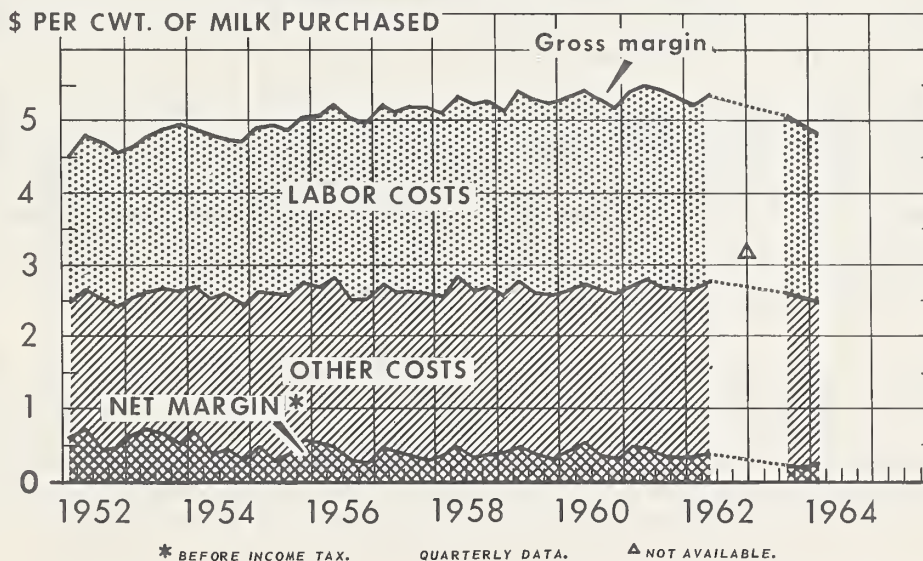
U.S. DEPARTMENT OF AGRICULTURE

NEG. ERS 37-64 (9) ECONOMIC RESEARCH SERVICE

Figure 1

Fluid Milk Processing-Distributing Firms

# OPERATING COSTS



U. S. DEPARTMENT OF AGRICULTURE

NEG. ERS 38-64 (9) ECONOMIC RESEARCH SERVICE

Figure 2

Table 2.--Retail and wholesale sales of homogenized milk as a percent of total quantity sold, by size of container, Jan.-March quarter, 1954-64

RETAIL						
Container	1954	1956	1958	1960	1962	1964
	-----Percent-----					
Gallon.....	.3	.8	1.0	3.0	3.0	3.6
One-half gallon.....	7.1	11.4	15.5	17.5	18.2	16.6
Quart.....	29.8	24.6	21.9	17.0	9.2	7.9
All other sizes.....	--	.1	.2	.1	.2	.2
Bulk dispenser.....	--	.1	.0	.3	.3	.4
Subtotal.....	37.2	37.0	38.6	37.9	30.9	28.7
WHOLESALE AND PLATFORM						
Gallon.....	.6	1.5	2.2	4.7	5.0	9.0
One-half gallon.....	22.1	26.0	30.9	33.3	37.9	37.6
Quart.....	25.7	18.2	11.9	8.8	8.2	6.9
All other sizes.....	11.8	13.6	11.4	10.5	12.2	13.5
Bulk dispenser.....	2.6	3.7	5.0	4.8	5.8	4.3
Subtotal.....	62.8	63.0	61.4	62.1	69.1	71.3
Total.....	100.0	100.0	100.0	100.0	100.0	100.0

Sales in larger-size containers increased sharply during this decade, while those in quarts declined from more than 55 percent of the total to less than 15 percent. Sales in gallons increased from less than 1 percent in 1954 to 12.6 percent in 1964. Those in half-gallons increased from 29 percent to over half of the total sales.

The share of glass containers declined from nearly 44 percent in 1954 to one-third 10 years later (table 3). Paper containers on retail routes increased from less than 14 percent to nearly 32 percent during this period. During the same period, glass increased its share of wholesale and platform sales, primarily because of the growth in importance of the glass gallon. Sales of milk in bulk dispensers increased on both wholesale and retail routes, although retail sales of bulk dispenser milk accounted for only 1.6 percent of all retail sales in January-March 1964.

A higher proportion of retail than of wholesale and platform sales is now made in half-gallons, although this is due largely to the greater importance of bulk dispenser and small size containers on wholesale routes (tables 4, 5, and 6). Glass half-gallons now account for 38 percent of retail sales and paper half-gallons for 25 percent, compared with about 19 percent for the two types combined in 1954. Quarts declined from 80 percent of retail sales in 1954 to less than 28 percent 10 years later, while gallons increased from less than 1 percent to more than 12 percent.

In wholesale and platform sales, quarts have declined from 41 percent of the total in 1954 to less than 10 percent. All other types and sizes of containers have



Table 3.--Sales of homogenized milk, by type of container, retail and wholesale, Jan.-  
March quarter, 1954-64 1/

RETAIL						
Container type	1954	1956	1958	1960	1962	1964
	<u>Percent</u>					
Glass.....	86.4	72.6	66.9	69.9	62.9	66.5
Paper.....	13.6	27.2	33.1	29.3	36.1	31.9
Bulk dispenser.....	--	.2	--	.8	1.0	1.6
Total.....	100.0	100.0	100.0	100.0	100.0	100.0
WHOLESALE AND PLATFORM						
Glass.....	18.8	17.4	14.5	14.8	17.0	20.1
Paper.....	77.1	76.7	77.3	77.4	74.7	73.9
Bulk dispenser.....	4.1	5.9	8.2	7.8	8.3	6.0
Total.....	100.0	100.0	100.0	100.0	100.0	100.0
TOTAL						
Glass.....	43.9	37.8	34.8	35.7	31.2	33.4
Paper.....	53.5	58.4	60.2	59.2	62.7	61.9
Bulk dispenser.....	2.6	3.8	5.0	5.1	6.1	4.7
Total.....	100.0	100.0	100.0	100.0	100.0	100.0

1/ Percentage of quantity sold.

increased in importance (table 6). If one considers only gallons, half-gallons, and quarts--the sizes sold through grocery stores--half-gallons account for over 70 percent of such sales, gallons for about 17 percent, and quarts for 13 percent. The recently introduced paper gallon accounted for 2.8 percent of wholesale sales and 0.5 percent of retail sales in the first quarter of 1964.

Table 4.--Sales of homogenized milk, retail and wholesale, by type and size of container, Jan.-March quarter, 1954-64 <sup>1/</sup>

RETAIL						
Container	1954	1956	1958	1960	1962	1964
	-----Percent-----					
Gallon						
Glass.....	.3	.8	1.0	3.0	3.0	3.5
Paper.....	--	--	--	--	--	.1
One-half gallon						
Glass.....	4.6	6.3	7.0	9.1	9.2	9.3
Paper.....	2.6	5.2	8.5	8.3	9.0	7.3
Quart						
Glass.....	27.3	19.8	17.8	14.4	7.3	6.3
Paper.....	2.5	4.8	4.1	2.6	1.9	1.6
All other sizes						
Glass.....	--	--	--	--	.1	--
Paper.....	--	.1	.1	.1	.2	.1
Bulk dispenser.....	--	.1	--	.3	.3	.4
WHOLESALE AND PLATFORM						
Gallon						
Glass.....	.6	1.5	2.2	4.7	5.0	7.0
Paper.....	--	--	--	--	--	2.0
One-half gallon						
Glass.....	.8	1.2	1.8	1.4	3.1	3.8
Paper.....	21.2	24.8	29.1	31.9	34.8	33.8
Quart						
Glass.....	4.5	3.0	1.8	1.0	1.6	.9
Paper.....	21.2	15.2	10.1	7.8	6.6	6.0
All other sizes						
Glass.....	5.9	5.2	3.2	2.1	2.0	2.6
Paper.....	5.9	8.4	8.2	8.4	10.2	10.9
Bulk dispenser.....	2.6	3.7	5.0	4.8	5.8	4.3
Total.....	100.0	100.0	100.0	100.0	100.0	100.0

<sup>1/</sup> Percentage of total quantity of homogenized milk sold.

Table 5.--Retail sales of homogenized milk, by type and size of container, Jan.-March quarter, 1954-64 1/

Container	1954	1956	1958	1960	1962	1964
	<u>Percent</u>					
Gallon						
Glass.....	.7	2.0	2.7	7.9	9.6	12.0
Paper.....	--	--	--	--	--	.5
One-half gallon						
Glass.....	12.2	17.0	18.1	24.1	29.6	38.3
Paper.....	6.9	13.9	22.1	22.1	29.2	25.4
Quart						
Glass.....	73.4	53.5	46.0	38.0	23.5	22.1
Paper.....	6.6	13.0	10.6	6.9	6.2	5.6
All other sizes						
Glass.....	--	.1	.1	.1	.2	.1
Paper.....	.1	.3	.3	.3	.6	.5
Bulk dispenser.....	--	.2	.1	.8	1.0	1.6
Total.....	100.0	100.0	100.0	100.0	100.0	100.0

1/ Percentage of quantity sold.

Table 6.--Wholesale and platform sales of homogenized milk by type and size of container, Jan.-March quarter, 1954-64 1/

Container	1954	1956	1958	1960	1962	1964
	<u>Percent</u>					
Gallon						
Glass.....	1.0	2.4	3.5	7.5	7.2	9.8
Paper.....	--	--	--	--	--	2.8
One-half gallon						
Glass.....	1.3	1.9	2.9	2.3	4.5	5.4
Paper.....	33.8	39.4	47.4	51.3	50.3	47.4
Quart						
Glass.....	7.2	4.8	3.0	1.6	2.3	1.2
Paper.....	33.8	24.1	16.4	12.6	9.6	8.5
All other sizes						
Glass.....	9.4	8.2	5.2	3.4	2.9	3.6
Paper.....	9.4	13.3	13.4	13.5	14.8	15.3
Bulk dispenser.....	4.1	5.9	8.2	7.8	8.3	6.0
Total.....	100.0	100.0	100.0	100.0	100.0	100.0

1/ Percentage of quantity sold.





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